



# Russia: Cosmetics Market

Irina Podsushnaya  
Yuliya Vinogradova  
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## Summary

Until the current global economic crisis, Russia had a nine-year run of continuous rapid economic expansion (approximately 7% annually). With over 140 million consumers, a growing middle class and almost unlimited infrastructure needs, Russia is one of the most promising U.S. exports markets.

Russia is the U.S.'s 28<sup>th</sup> largest export market, and 2008 U.S. exports to Russia were \$9.3 billion, a 27% increase over 2007. According to Russian statistics, leading exporter countries to Russia include, in descending order: China, Germany, Japan, Ukraine, U.S., Italy, South Korea and France. The U.S. has an approximate 5% share of Russian imports.

The Russian cosmetics market was valued at \$7.8 billion in 2008 and offers many market opportunities for U.S. manufacturers despite the economic downturn and rather cumbersome regulatory approval process. The leading exporter of toiletries and cosmetics is France.

## Market Data & Demand

The Russian beauty products market has been experiencing steady growth and has been one of the fastest growing industry sectors in Russia during the last decade. According to industry research firm Staraya Krepost, the total current value of the Russian beauty products market is approximately \$7.8 billion with recent growth of 14%; 53% of the market consists of imported products. Due to the global economic crisis, however, industry specialists believe the market may have fallen 10-20% in 2009.

Key market segments are: hair care; make-up, bath, anti-aging and anti-blemishing skin care products; and cosmetics for men and children. Spa, pedicure, and manicure products are also fast growing subsectors in the cosmetics industry.

The last several years have been characterized by a rapidly growing demand for high quality and individualized cosmetic products. Both foreign and local manufacturers created awareness of different skin and hair types, as well as the advantages of using a full range of skin and hair products. Cosmetics started to be viewed as a means not only to achieve beauty and a general improvement in health. Beauty and spa salons are becoming more and more popular.

Due to the economic downturn, however, while women will continue to spend money to make their skin look better, visits to spas and beauty salons are becoming less regular; thus there is a growing demand for professional products for home use. When the ruble was depreciating, prices on imported cosmetics and toiletries increased 30-40%, thereby intensifying demand for mass market products with a combination of price and quality.

## Best Prospects

Given the above dynamics, the best sales prospects include the following categories:

- Make-up
- Skin and hair care products from mass-market to middle to high-end
- Professional skin care products for home use
- Spa products and treatments
- Beauty and hair salon products and equipment
- Anti-aging cosmetics
- Manicure and pedicure products
- Cosmetics for men and children

## Key Suppliers

Domestic manufacturers have almost 50% of the mass-market and middle market brands. The biggest manufacturers like Kalina, Nevskaya Kosmetika, Svoboda and Faberilic manufacture both mass-market and higher-end skin care products, which are very close to the quality standards of Western luxury market products.

The competition between foreign and local manufacturers in the mass-market and middle market segments is intense. Generally, foreign producers outpace local ones with higher rates of new technology commercialization and large marketing and advertising budgets. A number of leading foreign suppliers, for example Procter & Gamble, Schwarzkopf & Henkel, Unilever and Beiersdorf (Nivea brand), has entered the low-end segment and proved very successful. Russian consumers traditionally trust foreign brands more than local ones because they guarantee stable quality.

Competition in the Russian beauty products market has also intensified in the last few years because locally made brands, which are sold at a comparatively low price, have increased their market share. As a result, the cost of entering and developing the market is now higher. Finding a niche is also becoming more difficult, and success in the market requires large investments in advertising, marketing, and promotion, including participation in cosmetics trade shows.

## Prospective Buyers

Russian women especially spend a significantly higher portion of their disposable income on cosmetic products than do their overseas counterparts. According to another market research firm, COMCON, the average Russian woman is spending 12 percent of her income on cosmetic products even during economic downturn.

The last several years have been marked by profound changes in cosmetics distribution and retailing in Russia. Many foreign companies have opened representative offices in Russia and therefore are able to conclude agreements directly with retailers without the help of distributors. Retailers have become the key players in the market versus distributors.

According to the marketing agency L'Agence de Lux, cosmetics and toiletries distribution segments are:

- Cosmetics retail chains (30%)
- Department stores (25%)

- Direct sales (20%)
- Pharmacies (10%)
- Outdoor markets (10%)
- Internet-sales, concept stores (5%).

## Market Entry

Most U.S. exporters gain marketing entry success by partnering with a Russian distributor or retail chain.

Changes in the market structure and constantly growing demand for quality beauty and health products have motivated distributors to shift their business from developing wholesale trade to expanding retail chains. Specialized cosmetic retail chains are showing the fastest growth rates. These specialized cosmetic and perfumery store chains are rapidly expanding to meet the demand for exclusive, luxury products. Currently, such cosmetic chains as L'Etoile, Yves Rocher, Ile de Beaute, Douglas Rivoli, Articoli and Sephora represent Russia's retail business. Some of the cosmetic chains such as L'Etoile, Ile de Beaute, and Yves Rocher have their outlets in all major Russian cities.

The assortment of products in cosmetic retail chains has changed too. Middle-market and mass-market brands now compliment exclusive products. At the moment, the share of mass-market products in retail chains has grown to 20 percent. The consumer's attitude towards cosmetic stores has changed significantly as well. Customers now prefer to make cosmetic purchases in specialized places where qualified shop assistants are able to help them make selections.

The majority of mass and medium-market products are distributed by a number of import/wholesale firms that work directly with large multi-product retail chains such as Pyatyorochka, Perekryostok, Sedmoy Continent, Ramstore, Auchan and Metro.

One more channel for mass-market and middle-market brands, as well as curative cosmetics are pharmacies, especially pharmacy chains. More consumers trust the medical application of cosmetic products. A very successful example of the brand which is sold exclusively in pharmacies is Vichy (L'Oreal).

A growing share of cosmetics and toiletries sales belongs to direct sellers like Amway, Avon, Mary Kay, Oriflame, and Faberlic.

Finally, the Internet has recently become a more important distribution channel, and there are many online stores such as:

- <http://www.aromat.ru/index.php3>
- <http://www.beautymall.ru/>
- <http://www.parfum-palace.ru/>
- <http://www.familyshop.ru/>
- <http://enigme.ru/>
- <http://www.parfumchik.ru/cosmetic/dc.php>
- <http://www.parfumclassic.ru/>
- <http://www.luxdelux.ru/>
- <http://www.interparfum.ru/>

## Market Issues & Obstacles

The general import duty on cosmetics and toiletries is 15%, plus the 18% VAT that applies to all imports.

Foreign quality marks (for example, those “clinically tested” in another country) or a GMP (Good Manufacturing Practice) label on the product, while useful for marketing, are not a substitute for Russian regulatory documents. Therefore, foreign firms must complete a registration/certification process in Russia, regardless of what products they plan to distribute or the reputation of the exporter.

Since the aforementioned registration/certification procedures are time-consuming, experts recommend that foreign exporters and/or their Russian partners begin preparation for obtaining the proper documents before any sales contract is concluded. If a product does not have appropriate certificates, Russian customs may stop the shipment at the point of entry. Consequently, pre-contract registration/certification is a safer and significantly cheaper way to import and distribute products in Russia.

Because registration/certification procedures require direct contact between the authorized manufacturer's representative and experts from the appropriate regulatory bodies and government agencies, it is recommended that U.S. companies work with qualified partners (specialized consultant, distributor, or local representatives) on regulatory matters.

The regulatory procedures tend to change many times, so it is well advised to contact the U.S. Commercial Service for the updated information.

The regulatory process depends on the type of cosmetic product:

- *General cosmetics*
- *Cosmetics for special uses*
- *Alcohol containing cosmetics*
- *Cosmetics as pharmaceuticals*

**General cosmetics** require certification at the Federal Service of Welfare of Population (Rosпотребнадзор) and Federal Service of Standards and Metrology (Gosstandart)

### ***Documents obtained upon certification***

1. Sanitary Certificate that is valid for 5 years.
2. GOST-R Certificate that confirms the quality and safety and is valid for 1 year if it is issued for the products' batch.
3. Letter from the Federal Service of Welfare of Population confirming that the product does not contain alcohol, valid for 1 year.
4. Information on the products' label approved by the authorities.

### ***Documents required for certification process***

1. Documents by appropriate authorities in the country of manufacture confirming the safety of the products for human beings: Free Sale Certificate, registration certificate or others.
2. Quantitative and qualitative analysis of the product.

3. Usage instructions, annotations.
4. Consumer label or its draft in the Russian language, stamped and signed by manufacturer, as well as a sample of the original label used in the country of manufacture.
5. Copy of commercial contract for the products imported to Russia.
6. Notarized copy of company's registration in the Russian Federation (registration with Tax authorities for example). This is a necessary document for a Russian company that has been authorized by the U.S. company to be involved in all stages of getting all regulatory documents.
7. Samples for analysis.

### ***Certification procedures***

First step: Obtaining a Sanitary Certificate at the Federal Service of Welfare of Population (Rosпотребнадзор).

1. Toxicology tests.
2. Clinical tests.
3. Physical –chemical tests.
4. Microbiological tests.
5. Receiving a Sanitary Certificate.

Second step: Obtaining GOST-R certificate at Federal Service of Standards and Metrology (Gosstandart).

1. Technical and toxicological tests.
2. Receiving a GOST-R certificate.

Third step: the Federal Service for Supervision over Consumer Rights Protection and Human Welfare issues a letter that the product does not contain alcohol.

**Cosmetics for special uses** require registration at the Federal Service for Supervision over Consumer Rights Protection and Human Welfare (Rosпотребнадзор). Such products include:

- a. Professional products used in beauty and spa salons (creams, masks, peelings, hair balsams).
- b. Sun-tanning and sun-less tanning products, skin-whitening products, products for tattoos (excluding injections), intimate care products.
- c. Protective cosmetics (creams, pastes and others) used during manufacturing.
- d. Cosmetics for children.
- e. Hair coloring products (excluding shading shampoos).
- f. Chemical hair curling.

***Documents obtained upon registration***

1. Registration certificate with no expiration date.
2. Information put on the products' label approved by the authorities.
3. Expert conclusion of certified body about the quality and safety of products.

***Documents required for registration process***

1. Documents from appropriate authorities in the country of manufacture confirming the safety of the products for human beings: Free Sale Certificate, registration certificate or others.
2. A document confirming that the manufacturing process of this product complies with national and international standards, for example GMP or ISO 9000-9002.
3. Document containing a full list of ingredients of the product.
4. Brief description of the manufacturing process.
5. Documents (standards, technical regulations, bylaws, technological instructions, specifications, recipes) that are used for the manufacturing process.
6. Certificates of conformity: analysis certificate, quality and safety passport, certificate of origin, or a similar document, preferably including the methods used in quality determination.
7. Consumer label or its draft in the Russian language stamped and signed by manufacturer, as well as a sample of the original label used in the country of manufacture.
8. Usage instructions, annotations (in case not all necessary information could be placed on the label).
9. Materials (original or from literature for analogues) regarding toxicological-hygienic estimate and efficiency; originals or copies of protocols of clinical study results in comparison with the control group with the name of the laboratory that has done them. All the above documents should be signed and stamped by the manufacturer.
10. Certificates of conformity of main ingredients - analysis certificate and safety passport, certificate of origin, or a similar document.
11. Protocols of tests and trials of accredited laboratories; conclusions of accredited organizations.
12. Documents on sample selection indicating the dates of selection, number, name of the product, manufacture's address, date of manufacture as well as names of individuals who participated in the selection process.
13. Copy of the trade mark certificate, patent.
14. Power of attorney issued by the manufacturer to a person/enterprise who will be involved in all the stages of obtaining a Registration Certificate.

Items: 3, 4, 12 should be on the manufacturer's letter head.

Items: 1,2,14 should be translated, legalized and have an Apostil obtained from one of the Russian Consulates in the United States.

Items 3-12: All pages of these documents should be stamped by the manufacturer and translated into the Russian language with the name and the diploma of the translator attached.

Items 9, 11, 13 – should be included if available.

### ***Registration procedures***

At the first stage of the registration process a manufacturer/representative contacts the Federal State Enterprise of Healthcare Information Metrological Center “Ekspertiza” (ФГУЗ ИМЦ “Экспертиза”), whose parent organization is Rospotrebnadzor. This organization will direct the manufacturer/representative to the Central Enterprise for Certification of Perfume and Cosmetics (Certification Enterprise), whose parent organization is Gosstandart, which will be conducting tests.

After reviewing the documents that characterize the product and obtaining payment, the Certification Enterprise conducts sanitary-chemical and sanitary-microbiological tests. In some instances the Certification Enterprise can assign other necessary tests to be conducted by accredited laboratories, such as studies of toxicological, physiological and metabolic effects that will confirm safety of the products and clinical tests of efficiency/efficacy.

After careful consideration of the test results, the Central Enterprise writes a so-called “Expert Conclusion” and approves the draft label. During the next step the “Ekspertiza” writes an invoice for the Registration Certificate and state duty. At the same time the U.S. company or its representative should submit a set of documents that characterizes the product to the “Ekspertiza”. After obtaining an Expert Conclusion from Certification Enterprise, the “Ekspertiza” prepares the Registration Certificate, assigns a number, includes the product in the official registration list and approves the label.

On the basis of a written request from the manufacturer, a letter addressed to customs is written that will attest to the absence of alcohol in the product.

### **Alcohol-containing cosmetics**

#### ***Documents obtained upon registration***

1. Registration certificate that is valid for 5 years.
2. Information put on the products’ label approved by the authorities.
3. Expert conclusion of certified body about the quality and safety of products.

#### ***Documents required for registration process***

1. Certificate of conformity with protocols of tests.
2. Sanitary-epidemiological conclusion (Sanitary Certificate) with protocols of tests.
3. Documents on sample selection from certification body.
4. Document containing a full list of ingredients of the product.
5. Notarized copy of company’s registration in the Russian Federation (registration with the Tax authorities, for example). This is a necessary document for a Russian company that has been authorized by the U.S. company to be involved in all stages of getting all regulatory documents.

The authorized Russian representative submits an original and two copies all of the above documents to the Federal State Enterprise of Healthcare Information Metrological Center “Ekspertiza” (ФГУЗ ИМЦ “Экспертиза”). All the copies should be stamped and signed by the representative. All the originals are returned right after the documents have been considered.

### ***Registration procedures***

First step: Obtaining a Sanitary Certificate at Federal Service of Welfare of Population (Rospotrebnadzor).

1. Toxicology tests (if a product is used for eyes then the irritation effect is tested)
2. Clinical tests
3. Physical – chemical tests
4. Microbiological tests
5. Receiving Sanitary Certificate

Second step: Obtaining GOST-R certificate at Federal Service of Standards and Metrology (Gosstandart).

1. Technical and toxicological tests.
2. Receiving a GOST-R certificate.

Third step: Receiving a Registration Certificate.

1. Documents are evaluated at Rospotrebnadzor (Federal Service for Supervision over Consumer Rights Protection and Human Welfare).
2. Documents are sent to Central Enterprise for Certification of Perfume and Cosmetics (Certification Enterprise) for expert conclusion.
3. Central Enterprise for Certification of Perfume and Cosmetics (Certification Enterprise) issues an expert conclusion.
4. Registration certificate is issued that is valid for 5 years if the delivery contract exists and there is no expiration date on technical documentation for the product.

***Cosmetics claimed to be pharmaceuticals*** require registration at the Federal Service of Healthcare and Social Development as pharmaceutical product.

This registration procedure is the same as that used for pharmaceuticals. Since it is very specific and complicated, we strongly recommend that you contact the U.S. Commercial Service for detailed information and counseling.

### **Trade Events**

KosmetikExpo  
February 10-13, 2010  
Moscow  
<http://www.ki-expo.ru/ru/expo-moscow/>



Intercosmetics 2010  
March 9-11, 2010  
Moscow  
[http://www.intercosmetics.ru/index\\_eng.html](http://www.intercosmetics.ru/index_eng.html)

Intercharm  
October 2010  
Moscow  
<http://eng.2009.intercharm.ru/flash/>

Medicine and Beauty Forum  
November, 2010 Moscow  
<http://www.med-beauty.net/en/>

## Resources and Key Contacts

Perfumery and Cosmetic Association Of Russia  
<http://www.pcar.ru>

Federal Service for Supervision over Consumer Rights Protection and Human Welfare  
<http://www.rospotrebnadzor.ru>

Group of Companies Consult Business Group (PharmInform Ltd., MedInform Ltd.) consulting company  
specializing in registration/certification  
<http://c-b-g.ru/about>

## For More Information

Please contact the U.S. Commercial Service in Moscow ([yuliya.vinogradova@mail.doc.gov](mailto:yuliya.vinogradova@mail.doc.gov), Phone: 7 495 728-5586) or Vladivostok (Russia Far East; [irina.podsushnaya@mail.doc.gov](mailto:irina.podsushnaya@mail.doc.gov), 7 4232 499 381) or visit our website: [www.buyusa.gov/russia/en](http://www.buyusa.gov/russia/en)

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